



From the Governmental Affairs Department of the  
California Building Industry Association

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### Homebuyer Tax Credit Approved as Part of Budget Agreement

The homebuilder-sponsored state tax credit passed the Legislature this morning as part of a deal to close the \$42 billion hole in the state budget. SB 15XX (Ashburn), which contained CBIA's tax credit concept, was introduced only last Saturday as the Legislature entered the final stages of putting a budget deal together. Lawmakers and the Governor worked through the weekend to assemble a package that would attract the necessary three Republican votes in both the Senate and the Assembly. In the end, Senator Roy Ashburn (R-Bakersfield) announced to budget negotiators that he wouldn't vote for a budget deal that didn't have the homebuyer tax credit in it. Ultimately, Senator Ashburn's demands were met and the homebuyer tax credit passed both the Senate and the Assembly by overwhelming margins. SB 15XX, along with the rest of the state budget package, is expected to be signed by the Governor. Though greater details on the homebuyer tax credit will be forthcoming, the following provides a brief summary of what SB 15XX authorizes:

- A tax credit of up to \$10,000 credit (5% of home price or \$10k, whichever is less) for the purchase of a newly constructed, previously unoccupied home.
- Available March 1, 2009 and good until March 2010, or when funding authority runs out – whichever comes first (\$100 million was allocated to program).
- Allocated by the state's Franchise Tax Board on a first-come, first-served basis (details still to be worked out).
- Paid out to home purchasers over three tax years in equal amounts (i.e. \$3300 for 2009, \$3300 for 2010, etc.)
- Purchasers must reside in the home for at least two years.
- There are no income limitations that have to be met by purchasers.
- There is no first-time homebuyer requirement.
- There is no repayment requirement (unless the purchaser sells, rents out, etc before 2 years expire).

To help homebuilding companies prepare their marketing plans for the new tax credit, CBIA will soon be meeting with the Franchise Tax Board with the intention of ironing out all the mechanics involved in administering the program as soon as possible. CBIA is grateful to Senator Ashburn for his determined and courageous battle to get the tax credit approved and to Senate President pro tem Darrell Steinberg (D-Sacramento) for making it part of the final budget package. Getting the tax credit to be considered by state lawmakers and policy makers was an effort that began last fall by several members of CBIA and CMBC who designed the concept then made the efforts to sell it to a then-skeptical audience in Sacramento. When things got rolling for the final push, it was veteran CBIA members Tony Russo and Frank De Lima who convinced Senator Ashburn to lead the effort on the credit,

then worked the phones of Capitol offices to help line up the necessary support. Finally, all who helped make the credit a reality owe their success to Signature Properties' Jim Ghielmetti who, for more than a year, inspired and led the advocacy effort – in Washington and Sacramento – to get a tax credit enacted.

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